



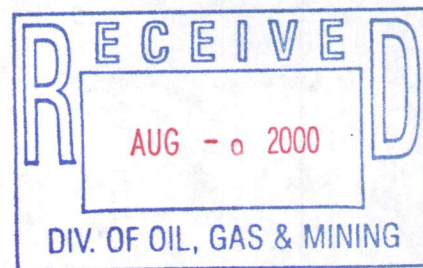
State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

David T. Terry
Director

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<http://www.trustlands.com>



August 4, 2000

CERTIFIED MAIL NO. P 959-217-977

Jeffrey L. Sagers
2016 South Montana Ave.
Provo, UT 84606

RE: CANCELLATION OF ML 48357-MP
DOGM Permit # S/003/052

Dear Mr. Sagers,

Mining of flagstone from the lands under ML 48357-MP is not in accordance with your original proposal for a mineral materials permit for crushed aggregate. Mining of flagstone from the lands has commenced without the approval of the Trust Lands Administration and without the approval of the surface owner and is considered in trespass.

The Trust Lands Administration understood from your letter of April 21, 2000, that you would commence mining aggregate upon adjacent BLM lands and that you would also commence a quarry upon the trust lands leased under ML 46649-BSLS. The letter was vague regarding intent to commence mining the lands under ML 48357-MP, however, and on May 5, 2000, the Trust Lands Administration wrote you, requesting addition information and clarification. No response was received. Further, the agreement which you entered April 4, 2000, with surface owner Max Kunzler is for "mining and crushing" and does not contemplate the mining of flagstone.

Upon visiting the lands under ML 46649-BSLS and ML 48357-MP on August 1, 2000, the Trust Lands Administration was surprised to find that Permittee has conducted extensive flagstone mining operations upon the lands. Permittee has misrepresented his intention to mine crushed aggregate upon the lands under ML 48357-MP and the Trust Lands Administration elects to terminate this contract. Accordingly, pursuant to Paragraph 5, Permittee is hereby notified that ML 48357-MP is terminated effective thirty days from date of this letter.

Upon receipt of this notice Permittee is directed to immediately cease all mining of flagstone upon the lands within ML 48357-MP. Otherwise, Permittee shall be liable to the Trust Lands Administration for trespass damages upon all flagstone quarried by the Permittee from said lands.

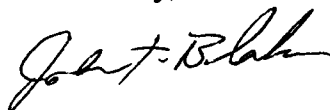
Permittee is hereby require to immediately submit royalty payment to the Trust Lands Administration on all flagstone quarried by Permittee from the lands within ML 48357-MP. Royalty must be paid on the basis of the greater of 10% Gross Value or \$10.00 per ton to reflect the current market royalty-value of the stone. All royalty payments must be accompanied by copies of actual weight tickets for the stone.

Permittee must immediately remove all equipment and personal property from the lands under ML 48357-MP. Any equipment and personal property not so removed within the next thirty days shall be considered abandoned and forfeited to the state.

Permittee must immediately commence mined land reclamation of the lands under ML 48357-MP which have been mined for flagstone. Reclamation must be completed in accordance with the requirements of the Utah Mined Land Reclamation act and to the satisfaction of the surface owner of the lands.

Please contact me if you have any questions in this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "John T. Blake".

John T. Blake
Mineral Resources Specialist

CC: Max Kunzler, c/o Bert Kunzler
Lynn Kunzler ✓